



**Policy: 2102**  
**Procedure: 2102.06**  
**Chapter: Procurement**  
**Rule: Purchasing Card Procedure**

**Effective:** 12/10/08  
**Replaces: 2102.06**  
**Dated: 07/26/07**

### **Purpose:**

The Arizona Department of Juvenile Corrections (ADJC) participates in the statewide Purchasing Card (P-Card) program under state contract and as authorized by the Arizona Department of Administration (ADOA) State Procurement Office (SPO) and General Accounting Office (GAO) Technical Bulletin for Statewide Purchasing Card (P-Card) Policies and Procedures.

### **Rules:**

1. **Procurement Administrator Responsibilities** - The **ADJC PROCUREMENT ADMINISTRATOR** is the P-Card Administrator and is responsible for the establishment, implementation, and monitoring of ADJC's P-Card program. **ADJC PROCUREMENT ADMINISTRATOR OR DESIGNEE** shall:
  - a. Coordinate with ADOA State Procurement Office on matters relating to the P-Card contract;
  - b. Implement procedures within ADJC;
  - c. Provide training to cardholders/custodians, approving officials, and other related ADJC employees;
  - d. Issue and monitor cards;
  - e. Obtain and destroy cards no longer needed;
  - f. Review cardholder records at least semi-annually:
    - i. To verify compliance with governing laws, rules, policies, and procedures; and
    - ii. To confirm the appropriate use of P-Cards.
  - g. Resolve card disputes with the credit card issuer and/or retailers, as needed.
2. **Card Issuance.**
  - a. An **EMPLOYEE WISHING TO BE ISSUED A P-CARD** shall complete and submit the top section of the Purchasing Card Application through his/her chain of command to the ADJC Procurement Administrator;
  - b. The **ADJC PROCUREMENT ADMINISTRATOR** shall review the request and forward to the approving official if approved or denied;
  - c. Prior to release and activation of the P-Card, the **PROCUREMENT OFFICE** shall provide training to the cardholder or P-Card custodian;
  - d. Upon completion of training, the **CARDHOLDER, P-CARD CUSTODIAN, AND ANY IDENTIFIED CARD USERS** shall sign the cardholder agreement form along with the Approving Official and any additional Approving Official.
3. **Spending Limits.** The **CARDHOLDER, P-CARD CUSTODIAN, AND ANY IDENTIFIED CARD USERS** shall observe the following spending limits:
  - a. **Single Purchase Limit:** This limit will not exceed \$5,000.00 per purchase (including tax and freight).
    - i. The **APPROVING OFFICIAL AND/OR THE P-CARD ADMINISTRATOR** may impose lower limits to cardholders/P-Card custodians;
    - ii. The **ADJC PROCUREMENT ADMINISTRATOR** may increase the \$5,000 per purchase limit with prior written approval from GAO.
      - (1) In accordance with Arizona Revised Statutes (ARS) §35-151, a single purchase transaction that will be expended out of an appropriated fund that is equal to or exceeds \$1,000.00 shall be encumbered prior to the purchase. If funds are not encumbered prior to the purchase, the amount of the transaction must be less

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than \$1,000. Adequate appropriation and allotment balances must exist for all purchase transactions that are expended out of appropriated funds.

- (2) A single purchase transaction that will be expended out of a non-appropriated fund, regardless of amount, is not required to be encumbered, but is not to exceed \$5,000.00 unless an exception is granted in advance by GAO through the ADJC Procurement Administrator. **ADJC** shall have sufficient cash to liquidate the liability created by the purchase;
  - (3) If the ADJC Procurement Administrator has approved a single purchase limit that exceeds \$5,000, the **CARDHOLDER/P-CARD CUSTODIAN** shall use the card only to purchase contract items from the contracted state or agency vendor and ensure dollars are encumbered as required above.
- b. Monthly Spending Limit: The **APPROPRIATE APPROVING OFFICIAL** shall recommend this limit with final approval by the ADJC Procurement Administrator.

4. **P-Card Usage.**

- a. The **ADJC PROCUREMENT ADMINISTRATOR** can impose category blocks on each P-Card to limit the types of items authorized for purchase;
- b. The use of the P-Card by anyone other than the authorized cardholder is prohibited. For division/unit issued (ghost) accounts, the use by anyone not authorized by the P-Card Custodian is prohibited;
- c. The **CARDHOLDER/P-CARD CUSTODIAN** shall make all P-Card procurements in accordance with:
  - i. The most recent GAO Technical Bulletin for the P-Card Purchasing, Transaction Limits;
  - ii. Authorized state and agency contracts;
  - iii. Other laws, rules, policies, and procedures dealing with procurement, budgeting or accounting that may apply; and
  - iv. The standard of "fair and reasonable pricing."
- d. The **CARDHOLDER/P-CARD CUSTODIAN** shall not purchase the following items with the P-Card:
  - i. Cash advances (including ATM withdrawals), purchase of traveler's checks, or any other negotiable instrument;
  - ii. The purchase of alcoholic beverages or any illegal substance;
  - iii. Professional services of the type that require Form 1099 (Internal Revenue Service) to be issued. This includes such services as:
    - (1) Payments of rent;
    - (2) Miscellaneous income to independent contractors, medical and health care programs; or
    - (3) Fees paid to accountants, attorneys, programmers, temporary help, etc. NOTE: For additional guidance with respect to Form 1099 requirements and reporting, contact Central Office Accounting.
  - iv. Items for personal use or items not authorized by the normal purchase order process;
  - v. Gasoline, airfare, train fare, hotel lodging, car rental, meals, incidentals or other expenses related to travel;
  - vi. Items that must be back ordered. This is to ensure receipt of the items prior to the end of the billing cycle.
- e. The **CARDHOLDER/P-CARD CUSTODIAN** shall adhere to the following concerning State Contracts:
  - i. Whenever practicable, **CARDHOLDERS/USERS** shall purchase from state or agency contracted vendors. If a purchase from a vendor other than a contract vendor is made, the **CARDHOLDER/USER** shall include documentation with the reconciliation;
  - ii. Items not on state or agency contract shall be purchased using such competition as is practicable under the circumstances.
- f. The **CARDHOLDER/USER** shall not divide purchase transactions to circumvent aggregate purchase limits, single purchase limits, or monthly limits.

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5. State/agency contractors may or may not accept the P-Card as payment. If the contractor does not accept the P-Card as payment, the **CARDHOLDER/P-CARD CUSTODIAN** shall follow Procedure 2101.02 General Purchasing to obtain the items.
6. **Separation of Duties.**
  - a. Except as specifically approved by GAO, through the P-Card Administrator, an employee with the authority for approving disbursement of Department funds cannot be a Cardholder/P-Card Custodian/User (purchases ≠ individual certifying sufficient funds are available);
  - b. Except as specifically approved by GAO through the P-Card Administrator, a Cardholder/P-Card Custodian/User cannot have both purchasing and payment authority.
    - i. When at all possible, the **CARDHOLDER/P-CARD CUSTODIAN/USER** shall verify receipt of item(s) by having another employee confirm item(s) were received by also signing and dating the receiving document.
7. **Cardholder/User/P-Card Custodian Responsibilities.** The **CARDHOLDER/CARD USER/P-CARD CUSTODIAN** shall:
  - a. Sign the Cardholder Agreement and be responsible for the custody and use of the assigned P-Card at all times;
  - b. Initiate a blanket purchase order specific to each card to the State P-Card agent at the beginning of each fiscal year to encumber funds and track purchases throughout the year;
  - c. Establish a purchase requisition for each P-Card purchase that will be tracked to the blanket purchase order;
  - d. Maintain Form 2102.06D ADJC P-Card Log of purchases that includes the date of purchase, vendor, dollar amount or any other information deemed necessary by the Procurement Officer or Approving Official;
  - e. Provide documentation for all purchases made from a non-contract vendor;
  - f. Maintain all receipts and receiving documents that verify charges, credits or adjustments incurred on the P-Card.
    - i. If original receipts are not available due to loss or illegibility, the **CARDHOLDER/USER** shall complete an affidavit detailing the purchase date, vendor, product, cost, tax, other charges, total and reason the receipt is not available. This affidavit shall be forwarded with the reconciled statement and P-Card Log.
  - g. Reconcile the monthly statement of activity against the purchasing activity conducted on the P-Card during that time (i.e., match receipts/log to statement of activity)
    - i. **Required information:** Attach the required information in the same order the charges appear on the statement, along with the P-Card Log, and/or other required documentation. Required information includes:
      - (1) Charge receipts;
      - (2) Register receipts;
      - (3) Credit receipts/memos;
      - (4) Signed packing/receiving documents;
      - (5) Purchase Requisition;
      - (6) Documentation of procurement action, when applicable.
    - ii. **Forward**, within three days of end of billing cycle, the following to the Approving Official for signature:
      - (1) Reconciled monthly statement of charges;
      - (2) P-Card Log, signed and dated by cardholder/P-card custodian, certifying the information is correct; and
      - (3) All required information noted above.
  - h. Maintain a copy of each reconciliation for office records;

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- i. Resolve any discrepancies on the monthly statement of activity, including charges for items returned to vendors, credit vouchers not appearing on the statement of activity, and disputes with either the vendor or the State P-Card Contractor;
  - j. Communicate any unresolved discrepancies to the Agency P-Card Administrator for resolution;
  - k. If not available to complete or sign the reconciliation:
    - i. Forward the P-Card Log and all backup documentation (charge, register, and credit receipts, receipt/credit memos, and any other information required to the Approving Official or designee;
  - l. Immediately report the loss or theft of a card by contacting the P-Card Administrator;
  - m. Assist the ADJC Procurement Administrator and Accounting staff in clarifying questionable charges that may appear on the statement of activity.
8. **Approving Official Responsibilities.** The **APPROVING OFFICIAL OR DESIGNEE** shall:
- a. Sign the Cardholder Agreement, authorizing the cardholder/P-Card custodian to have a P-Card;
  - b. Promptly document all instances of card misuse and abuse and ensure that full and complete documentation is forwarded, on a timely basis, to the P-Card Administrator;
  - c. Impose any disciplinary action to his/her employees for abuse or misuse of the card.
    - i. If the approving official is not the supervisor of the Cardholder/P-Card Custodian, s/he shall inform the supervisor, in writing, of their employees' abuse or misuse of the card with a copy to the P-Card Administrator.
  - d. Ensure immediate notification is provided to the P-Card Administrator upon a change in a cardholder's/P-Card custodian's job status (transfers, terminations, temporary leave, etc.);
  - e. Verify that departing cardholders/P-Card custodians have submitted their P-Card to the P-Card Administrator prior to the cardholder/P-Card custodian leaving;
  - f. Review reconciled cardholder/P-Card custodian statements of activity:
    - i. Ensure all monthly reconciliations completed by cardholders, card users, or P-Card custodians are received within five business days of the end of the billing cycle;
    - ii. Review and ensure accuracy of reconciliations submitted by cardholder, card user, or P-Card custodian and sign P-Card Log;
    - iii. Complete and sign monthly reconciliation for all cardholders/P-Card custodians who did not complete their own due to being on leave, attending training, etc.;
    - iv. Provide breakdown by Index and PCA of the dollar amounts to be encumbered and paid on the statement. Breakdowns by individual charge are not necessary but may be grouped together as totals by Index and PCA;
    - v. Forward reconciliation and all applicable supporting documentation (statement of activity, P-Card log, etc.) to the appropriate Accounting Office for payment by the 21<sup>st</sup> of each month. Late fees may be assessed on any account if payment is received by the State P-Card Agent after the established due date;
    - vi. Document "Not Available to Sign" on the log and sign the reconciliation if the P-Card holder/custodian is not available to complete/sign the reconciliation.
  - g. Assist the ADJC Procurement Administrator and Accounting personnel in clarifying questionable charges that may appear on the statement of activity.
9. **Accounting Office Responsibilities.** **CENTRAL ACCOUNTING OFFICE AND FACILITY BUSINESS OFFICES** shall:
- a. Complete the following prior to releasing payment:
    - i. Review monthly reconciliations submitted to their office for payment and ensure the preparer's and Approving Official's signature and date are included;
    - ii. Provide breakdown by COMP OBJ and AGY OBJ of the dollar amounts to be encumbered and paid on the statement. Breakdown by individual charge are not necessary but may be grouped together as totals by COMP OBJ and AGY OBJ;
    - iii. Review and audit any use tax charges added for all items for which an Arizona Privilege Tax was not charged.

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- (1) If it was not, write 'Use Tax Paid' on receipt, put a Purchase Order Number to Department of Revenue (DOR) on receipt and make copy of receipt. Accounts payable will use this copy of the receipt when paying use tax to DOR.
  - b. Immediately notify the Approving Official or designee of any discrepancy in the breakdown by Index and PCA.
    - i. If the Approving Official or designee does not respond in a timely manner, the **ACCOUNTING OFFICE** may process the invoice for payment using other appropriate funds belonging to the Approving Official;
    - ii. The **ACCOUNTING OFFICE** shall notify the Approving Official of the funds that were used to pay the invoice.
  - c. Ensure that all payments are made to the State P-Card Agent by the required due date in order to avoid any late fees;
  - d. File all invoices and applicable supporting documentation in separate folders by account number.
10. **Year End Closeout.**
  - a. In order to facilitate year-end closeout of the financial records, **CARDHOLDER/P-CARD CUSTODIAN** shall not use P-Cards after the date established by the ADJC Accounting Administrator except for emergency purchases as outlined in the year end memo distributed by the Accounting and Procurement Administrator;
  - b. **CARDHOLDER/P-CARD CUSTODIAN** shall complete purchases after the billing cycle date on an emergency basis only through a normal requisition;
  - c. **CARDHOLDER/P-CARD CUSTODIAN** shall not start using the P-Cards until a Purchase Order has been finalized for the new fiscal year.
11. **Misuse and Abuse of a P-Card.**
  - a. The **CARDHOLDER/P-CARD CUSTODIAN** shall be responsible for the security and use of the P-Card.
    - i. P-Card abuse is considered to be unauthorized purchases, untimely reconciliation, and failure to adhere to the security provisions of these guidelines;
    - ii. Unauthorized purchases are illegal and are the responsibility of the cardholder/P-Card custodian.
  - b. **ADJC** reserves the right to take action against any employee or person who wrongfully or illegally uses the P-Card;
  - c. **ADJC** reserves the right to refer instances of misuse, abuse or violations of statute, rules, policies, and/or procedures to the appropriate disciplinary body or law enforcement authority.
    - i. Referrals may involve, but are not limited to criminal prosecution for theft, abuse of public office, fraud, or violations of Form 2102.06E Arizona State Procurement Office's Ethics Policy #008.
12. **Penalties for Inappropriate Action.** The use of the P-Card for unauthorized purchases may result in different penalties depending on the circumstances. The **APPROVING OFFICIAL** shall be involved with the P-Card Administrator in evaluating the circumstances and imposing the penalty. The following are typical consequences relative to different levels of unauthorized purchases, misuse, or abuse of the Purchasing Card, but, at a minimum, **CARDHOLDERS/P-CARD CUSTODIANS** shall reimburse the State for personal purchases.
  - a. **Simple Error** – An unintentional action that was thought to be proper at the time but later discovered to be inappropriate. Under this standard, there may be no penalty as long as it is not part of a pattern of simple errors. A pattern of errors may move the action to the negligence category.
    - i. **PROCUREMENT AND ACCOUNTING ADMINISTRATORS** shall give Cardholders/P-Card custodians that make simple errors a memo with a copy to the Approving Official, of the error with the information that the error is not to be repeated;

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- ii. **PROCUREMENT AND ACCOUNTING ADMINISTRATORS** may also require Cardholders/P-Card custodians that make simple errors to undergo additional training and to demonstrate knowledge of program policies and procedures.
- b. Negligence – Negligence is the failure to act reasonably under the circumstances then and there existing.
  - i. Under this standard, the **APPROVING AUTHORITY**:
    - (1) Shall give the cardholder/P-Card custodian a written memo of concern for his/her One-on-One file;
    - (2) May impose disciplinary action for expenditures that are negligent or contrary to State or agency policy;
    - (3) May require the cardholder/P-Card custodian to return his/her card and to reimburse ADJC for unauthorized purchases.
- c. Gross Negligence – Wanton or reckless disregard of one's duty of due care. The penalty for gross negligence under this standard:
  - i. The **APPROVING AUTHORITY** shall give written reprimand to the cardholder/P-Card custodian in accordance with Procedure 2003.04 Employee Misconduct;
  - ii. **CARDHOLDERS/P-CARD CUSTODIANS** shall reimburse the State for personal purchases;
  - iii. **PROCUREMENT ADMINISTRATOR OR DESIGNEE** shall require the cardholder/P-Card custodian to return his/her card; and
  - iv. **ADJC** reserves the right to impose additional disciplinary action up to and including dismissal.
- d. Fraud and Theft – Fraud is intentional material misrepresentation or omission when there is a duty to disclose a loss or unlawful diversion of public funds. Theft is defined as an intentional diversion of state property for personal use.
  - i. The **APPROVING AUTHORITY** shall refer the incident to the Inspections and Investigations Division for investigation for possible criminal sanctions;
  - ii. **CARDHOLDERS/P-CARD CUSTODIANS** shall reimburse the State for personal purchases;
  - iii. **PROCUREMENT ADMINISTRATOR OR DESIGNEE SHALL** require the cardholder/P-Card custodian to return his/her card;
  - iv. The **APPROVING AUTHORITY** shall impose disciplinary action up to and including dismissal in accordance with Procedure 2003.04 Employee Misconduct.

**Signature Date**

12/10/08

**Approved by Process Owner**

Diann Patterson, Procurement Administrator

**Effective Date**

12/10/08

**Approved by**

Michael D. Branham, Director